

Message Text

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PAGE 01 BUENOS 03860 062122Z

64

ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 DODE-00 PA-01 PRS-01 L-03 ABF-01 FS-01 OES-03

FEA-01 INT-05 /094 W

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P 062100Z JUN 75

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 1434

LIMITED OFFICIAL USE BUENOS AIRES 3860

E.O. 11652: N/A

TAGS: EGEN, EFIN, AR

SUBJ: MRS. PERON ADDRESSES NATION; OTHER DEVELOPMENTS FOLLOWING
YESTERDAYS DEVALUATION

REF: BA 3852; 3712

1. AT NOON TODAY (JUNE 6), MRS. PERON MADE SHORT SPEECH TO NATION ON WAGE NEGOTIATIONS AND ECONOMIC SITUATION. ONLY SPECIFIC ANNOUNCEMENT WAS INCREASE IN MINIMUM WAGE FROM 2,000 PESOS PER MONTH TO 3,300 PESOS PER MONTH (65 PERCENT INCREASE). OTHER SALARY HIKES WILL BE WORKED OUT IN COLLECTIVE BARGAINING SESSIONS WHICH NOW TEMPORARILY SUSPENDED (BA 3852). MRS. PERON LIKENED THE ECONOMY TO A SICK PERSON REQUIRING OPERATION WHICH MUST BE PERFORMED EVEN THOUGH SOME MEASURES MIGHT SEEM A LITTLE UNPOPULAR. SHE CALLED ON WORKERS TO PRODUCE MORE.

2. IN GENERAL, COUNTRY REMAINS IN STATE OF SHOCK AND UNCERTAINTY FOLLOWING YESTERDAYS MASSIVE DEVALUATION AND ENERGY PRICE INCREASES. THERE IS ENORMOUS APPREHENSION OVER LIKELY
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INFLATIONARY IMPACT OF MEASURES IN ECONOMY WHICH ALREADY

RUNNING 81 PERCENT INFLATION RATE (MAY 74-MAY 75). LABOR IS ESPECIALLY BITTER AND DISILLUSIONED. MOST PEOPLE SEEM AWARE THAT MAJOR ECONOMIC ADJUSTMENTS IN PROGRESS AND ARE AWAITING NEW MEASURES WITH CONCERN. SOME OBSERVERS BELIEVE NEW ECONOMIC TEAM HEADED BY CELESTINO RODRIGO WILL GO QUITE FAR IN INTRODUCING MORE RAPID PRICE, WAGE AND EXCHANGE RATE CHANGES, INCLUDING WIDER USE OF INDEXATION AND ADJUSTMENT CLAUSES.

3. FOREIGN EXCHANGE MARKETS WILL REOPEN MONDAY AND NEW EXCHANGE REGULATIONS LIKELY TO BE INTRODUCED SOON TO REPLACE TEMPORARY EXCHANGE FREEZE IMPLANTED RECENTLY (BA 3712). GOA ALREADY HAS MADE CLEAR IT PLANS RETAIN TIGHT EXCHANGE AND TRADE CONTROLS DESPITE DEVALUATION. MOST OBSERVERS BELIEVE PARALLEL RATE, WHICH QUOTED AT AROUND \$55 PESOS TODAY (JUNE 6) WILL CONTINUE TO RISE.
MONTLLOR

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, WAGES, CHIEF OF STATE, SPEECHES, ECONOMIC PROGRAMS, FOREIGN EXCHANGE RATES, DEVALUATIONS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 06 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: woolflhd
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUENOS03860
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750198-1031
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750671/aaaacmoi.tel
Line Count: 77
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 BA 3852, 75 3712
Review Action: RELEASED, APPROVED
Review Authority: woolflhd
Review Comment: n/a
Review Content Flags:
Review Date: 03 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 SEP 2003 by BoyleJA>; APPROVED <19 DEC 2003 by woolflhd>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MRS. PERON ADDRESSES NATION; OTHER DEVELOPMENTS FOLLOWING YESTERDAYS DEVALUATION
TAGS: EGEN, EFIN, AR, (PERON, MARIA ESTELA)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006